

**Facilities Inclusion
Preliminary Draft
December 14, 2001**

Introduction

Each of the RTO West filing utilities have identified those transmission facilities it has selected to include in RTO West consistent with the scope and configuration characteristics for an RTO. See Exhibit D- List of Facilities.

In its April 26, 2001 Order, FERC described the scope of facilities inclusion for an RTO:

“... as RTO West is working on its Stage 2 application, we emphasize that for an RTO to satisfy our scope and configuration characteristics, most or all of the transmission facilities in a region should be operated by the RTO, as well as those necessary for operational control and management of constrained paths, regardless of the voltage. Some of these facilities may currently operate as higher voltage distribution lines while others may be a lower voltage radial line that is considered essential for wholesale transmission service.”

As required by Order 2000, the filing utilities propose to put most transmission facilities under the RTO’s operational control, including all those necessary for operational control and management of constrained paths¹. In addition, some filing utilities have proposed to include additional transmission facilities for purposes of transmission access and pricing. The precise purposes for which transmission owners intend to transfer control of its facilities to RTO West will vary depending upon the categorization of each facility. The table below summarizes how

¹ Refer to Section __, Canadian Participation for a description of the role of the BC Independent Grid Operator (IGO) in the operation of the transmission facilities in British Columbia.

facilities have been characterized into three classes – Class A, Class B and Class C facilities representing various combinations of the purposes for which the RTO will have responsibility over operations, planning and pricing.

	<u>Facility Class</u>		
Purpose	A Facilities	B Facilities	C Facilities *
Operational Control	Included	Not Included	Included
RTO Planning	Included	Not Included	Included
Company Rates	Included	Included	Not Included

*Class C facilities meet the definition of Class A facilities but are subject to an exception to the general requirement that Class A facilities be placed under the RTO's control for pricing purposes. See section ____ of the TOA.

Transmission Facilities Included

The facilities included by each of the PTO are shown in Exhibit D. Listed below is a summary of the types of facilities reflected in Exhibit D for each PTO.

Participating Transmission Owner

Type Of Facilities

Avista	Class A
Bonneville Power Administration	Class A
British Columbia Hydro	Class A
Idaho Power	Class A and Class B
Montana Power	Class A and Class B
Nevada Power	Class A
Pacific Corp	Class A and Class B
Portland General Electric	Class A
Puget Sound Energy	Class A and Class C
Sierra Pacific	Class A

Inclusion For Operational Control

Facilities proposed to be transferred to the RTO for operational control are categorized as either Class A or Class C facilities as shown in the table above. All transmission facilities that meet the definition of RTO West Controlled Transmission Facilities will be included in the facilities that are transferred to RTO West for operational control. [Note: The definition of RTO West Controlled Transmission Facilities is included in the definition section below]. As a result of the inclusion of transmission facilities meeting the above definition, RTO West will control all transmission facilities “necessary for operational control and management of constrained paths” as required by the commission’s April 26 Order. These “A” facilities alone represent approximately ___% of the transmission line miles of the participating transmission owners’ transmission grids. In addition, PTOs propose to transfer additional facilities to RTO West for operational control. When these facilities are considered, RTO West will have operational control over ___% of the RTO West’s transmission line miles.

Inclusion For RTO West Planning

All facilities categorized as either Class A or Class C Facilities which includes all facilities proposed to be transferred to RTO West for operational control, are also proposed to be included under RTO West’s planning and expansion authority². Consistent with the Stage 1 filing, RTO West will have ultimate planning and expansion authority over RTO West Controlled Transmission Facilities. A PTO, in consultation with its customers and appropriate state entities, will have planning authority for its other facilities including those that are needed to serve

² TransConnect has proposed to share the planning responsibility for any facilities that it transfers to RTO West. *See*, Application of TransConnect, LLC for Preliminary Approval of Transmission Rates, Including Innovative Rate Treatment; Planning and Expansion Protocol; Compliance Filing; and Modified Governance Proposal, Docket Nos. RT01-15 and ER02-323; 11/13/01.

wholesale transactions. For a more complete discussion of the proposed RTO West planning authority see section XX.

Inclusion For Pricing or Company Rate Determination

Except for Category C facilities, all facilities that are transferred to RTO West's operational control are to be included for pricing purposes and therefore the cost of these facilities are included in the Company Costs (see definition below) in determining each transmission owners Company Rate. In some cases, additional facilities are included for company rate determination purposes that do not meet the RTO West Controlled Transmission Facilities definition and are thus not transferred to the RTO for operational control or planning purposes. Facilities that fall into this later category are characterized as Class B facilities. Because each company load pays its own Company Rate, the inclusion of Class B facilities in some Company Rates but not others, can be accompanied without cost-shifting.

The TOA for Puget Sound Energy also has a provision (included at section __) for exempting certain facilities from inclusion in the PTO's determination of its Company Rate. Such exempt facilities are those that have been classified as distribution pursuant to state or federal order. Such facilities are transferred to the RTO for operational control and are included in the RTO's planning authority and are only exempted for the purpose of company rate determination. Facilities that fall into this category are referred to as Class C facilities.

Transmission Facilities Not Included in RTO West for Pricing Purposes

To the extent that transmission facilities are not included in Company Cost under the RTO, a transmission owner may establish a separate, wholesale rate which will be applied to the

wholesale user of such facilities. Typically these facilities are lower voltage facilities that do not affect the RTO's ability to manage congestion. Consequently, a wholesale customer may pay a wholesale distribution rate to a participating transmission owner and a wholesale transmission rate to the RTO. There is no double-charging involved, as the RTO Company Rate excludes the cost of facilities contained in the wholesale distribution rate.

Puget Sound Energy also expects to establish a wholesale distribution rate for its Class C facilities. All C facilities have been reclassified as distribution facilities by the Washington State regulator.

Definitions Related To Facilities Inclusion

The next section summarizes the definitions from the Transmission Operating Agreement (TOA) that underlie the classifications for including transmission facilities in RTO West.

Definitions from TOA

[Note: These definitions are as they were filed at the conclusion of Stage 1 except as noted. In some cases they will need to be revised to reflect changes made since stage 1 to congestion management, pricing, planning or other areas. These final changes will be made and reflected in this document following the revision of the TOA planned for January]

[Note: This definition was as filed in Stage 1]

“RTO West Controlled Transmission Facilities” means those Transmission specified in Exhibit D, which are those Transmission Facilities over which RTO West shall exercise Operational Control. Unless the FERC approves an exception, the Transmission Facilities

specified in Exhibit D shall include all Transmission Facilities that have a material impact on (1) transfer capabilities of RTO West managed constraint paths between its Congestion Zones, (2) the ability to transfer electric power and energy within a Congestion Zone or (3) the ability to transfer electric power into or out of the RTO West Transmission System. A Transmission Facility shall be deemed to have a material impact on transfer capabilities between Congestion Zones or into or out of the RTO West Transmission System if such transfer capabilities would change if the Transmission Facility were removed. A Transmission Facility shall be deemed to have a material impact on transfer capabilities within a Congestion Zone if such Transmission Facility carries ten percent (10%) or more of the electric power transferred through parallel paths through such Congestion Zone. The classification of the low-voltage side of a transformer shall determine whether such transformer shall be included in Exhibit D, and substation facilities related to a transformer shall be included in Exhibit D if the transformer is included in Exhibit D. The Executing Transmission Owner shall not be required to include in Exhibit D those Transmission Facilities that are radial to load.

[Note: A straw proposal for a revised definition, which has not been reviewed or approved by any party, is presented below]

“RTO West Controlled Transmission Facilities” means those Transmission Facilities specified in Exhibit D, which are those Transmission Facilities over which RTO West shall exercise Operational Control. Unless the FERC approves an exception, the Transmission Facilities specified in Exhibit D shall include all Transmission Facilities that have a material impact on (1) RTO West’s ability to manage congestion or (2) the ability to transfer electric power and energy between injection and withdrawal points designated for transmission rights. A

Transmission Facility shall be deemed to have a material impact on ability to manage congestion if removal of the Transmission Facility would cause the set of injections and withdrawals resulting from RTO West's outstanding transmission rights to fail the simultaneous feasibility test. A Transmission Facility shall be deemed to have a material impact on the ability to transfer electric power and energy between injection and withdrawal points if such Transmission Facility carries ten percent (10%) or more of the electric power transferred between such points. The classification of the low-voltage side of a transformer shall determine whether such transformer shall be included in Exhibit D, and substation facilities related to a transformer shall be included in Exhibit D if the transformer is included in Exhibit D. The Executing Transmission Owner shall not be required to include in Exhibit D those Transmission Facilities that are radial to load.

“Transmission Facilities” means those transmission facilities identified in Exhibit B to this Agreement. The Transmission Facilities shall include at least all of the Executing Transmission Owner's transmission facilities that meet the definition of RTO West Controlled Transmission Facilities. The Transmission Facilities shall not include generation-integration transmission facilities.

“Operational Control” means the rights of RTO West under this Agreement and under the RTO West Tariff to direct the Executing Transmission Owner to operate the RTO West Controlled Transmission Facilities for the purpose of affording comparable nondiscriminatory transmission access and meeting applicable reliability criteria for the RTO West Transmission System.

"Company Costs" means the costs of the Executing Transmission Owner incurred in connection with the ownership and operation of the Transmission Facilities, including any applicable performance or incentive payments, as the Executing Transmission Owner may propose and the FERC may accept for filing or approve. Company Costs shall not include (1) any Transfer Payments to be made or to be received by the Executing Transmission Owner or (2) any payment or receipt of Transmission Facility Cost Sharing Payments allocated under the RTO West Tariff. Company Costs shall be reduced by any Lost Revenue Recovery Amounts applicable to the Executing Transmission Owner.